

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-07 FRB-03 INR-07 IO-11 NEA-10 NSAE-00 USIA-06

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

L-03 PA-01 PRS-01 EURE-00 SS-15 NSC-05 STR-04 H-02

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P R 091730Z APR 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 8009

INFO USMISSION OECD PARIS

LIMITED OFFICIAL USE SECTION 01 OF 02 BONN 06094

E.O. 11652: N/A

TAGS: EINV, OECD

SUBJECT: MNE GUIDELINE NEGOTIATIONS IN OECD

REF: STATE 85413

1. AFTER EMBOFF CONVEYED CONTENTS OF REFTEL TO DR. LANGER IN ECONOMICS MINISTRY, LANGER EXPRESSED CONSIDERABLE INTEREST IN CONSULTATIONS WITH EMBASSY WITHIN A FEW DAYS ON STATUS OF WORK ON MNE CODE. HE NOTED THAT FRAU STEEG IS TAKING A STRONG INTEREST IN ENSURING THAT NEXT IME MEETING IS WELL-PREPARED, AND THAT FRG OECD DELEGATION HAS BEEN ASKED TO ASCERTAIN WHETHER NEW SECRETARIAT DRAFT IS IN LINE WITH U.S.G. VIEWS.

2. WHILE WASHINGTON POST ARTICLE (WHICH WAS ALSO CARRIED IN PARIS HERALD TRIBUNE) SHOULD NOT CAUSE PROBLEMS IN BONN, AN APRIL 9 ARTICLE IN HANDELSBLATT DESCRIBING NEGATIVE STANCE OF U.S.G. AND U.S.

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BUSINESS GROUPS MAY WELL HAVE A MORE SERIOUS

IMPACT. EMBASSY TRANSLATION OF HANDELSBLATT
ARTICLE FOLLOWS:
BEGIN UNCLASSIFIED

"OECD CODE FOR U.S. MULTIS NOT ACCEPTABLE:

U.S. INDUSTRY FEARS CONTROLS.
THE COUNTRY WITH THE GREATEST NUMBER AND MOST
IMPORTANT MULTINATIONAL COMPANIES, THE U.S.A., HAS
RAISED SERIOUS RESERVATIONS AGAINST THE OECD DRAFT
CODE OF BEHAVIOR FOR "MULTIS". WASHINGTON ALSO
DOES NOT THINK MUCH OF THE REQUIREMENT FOR COUNTRY-
BY-COUNTRY DISCLOSURE, OR OF THE REQUIREMENT, WHICH
IS CAMOUFLAGED AS CONSULTATION, THAT THE MULTIS
REPORT REGULARLY TO THE OECD.

ALTHOUGH THEIR IMAGE HAS BEEN INJURED BY
BRIBERY SCANDALS, AMERICAN MULTIS HAVE BEGUN A
COUNTER-ATTACK. LEADING BUSINESS ASSOCIATIONS, SUCH
AS THE U.S. CHAMBER OF COMMERCE AND THE NATIONAL
ASSOCIATION OF MANUFACTURERS (NAM), AND NUMEROUS
REPRESENTATIVES OF LARGE U.S. CORPORATIONS, WERE
ABLE TO WIN THE SUPPORT OF KEY WASHINGTON AGENCIES.
SPOKESMEN OF THE WHITE HOUSE AND OF THE U.S.
TREASURY ATTACKED THE TEN-PAGE OECD DRAFT FOR
INTERNATIONAL RULES OF BEHAVIOR OF MULTIS FROM
TWO ANGLES: THEY DECLARED AS UNACCEPTABLE THE
DISCLOSURE REQUIREMENT, DESIRED BY THE OECD
(AND MOST WESTERN GOVERNMENTS), OF SALES, PROFITS
AND OTHER BUSINESS DATA BY INDIVIDUAL COUNTRY
OPERATIONS. THEY ALSO ATTACKED THE ENVISAGED
CONSULTATION OBLIGATION ON THE PART OF THE MULTIS.
IN THE AMERICAN VIEW, THE LATTER POINT WOULD, AT
LEAST UNDER THE PRESENT DRAFT, GO BEYOND THE
VOLUNTARY FRAMEWORK AND CONTAIN AN ELEMENT OF
QUASI-CONTROLS.

UP TO NOW THE AMERICANS HAVE TAKEN A RATHER
POSITIVE BASIC POSITION IN THE INTERNATIONAL
DISCUSSION OF AN MNC CODE. BACK OF THE PARTICULARLY
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INTENSIVE AMERICAN COOPERATION IN DEVELOPING THE
OECD RULES WAS THE VIEW THAT SIMILAR CODIFICATIONS
BY OTHER INTERNATIONAL ORGANIZATIONS MIGHT BE LESS
FAVORABLE TO AMERICAN FIRMS. THE UN IS CONSIDERING
--MOST RECENTLY AT ITS MARCH CONFERENCE IN LIMA--
A DRAFT CODE WHICH IS MORE RESTRICTIVE IN THE
AMERICAN VIEW.

THE SPECIAL MNC RULES FOR THE TRANSFER OF
TECHNOLOGY BETWEEN INDUSTRIAL AND DEVELOPING
COUNTRIES, WHICH ARE BEING DISCUSSED IN THE FRAME-
WORK OF THE UNDP, COULD ALSO IMPOSE MORE SEVERE
REQUIREMENTS FOR AMERICAN MULTINATIONALS. FINALLY,
AMERICAN MULTIS ARE CONCERNED THAT THE MNC CODE
PREPARED BY THE ILO IN GENEVA WILL LEAD TO CONSIDERABLY
MORE COMPLICATED RELATIONS OF SUBSIDIARY COMPANIES
WITH NATIONAL LABOR UNIONS. FROM THESE VIEWPOINTS,

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OMB-01 L-03 PA-01 PRS-01 SS-15 NSC-05 STR-04 H-02

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P R 091730Z APR 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 8010

INFO USMISSION OECD PARIS

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THERE WAS MUCH TO BE SAID FOR SUPPORTING THE
CODIFICATION EFFORTS OF THE OECD.

IT WAS ORIGINALLY INTENDED THAT THE CODE OF
BEHAVIOR, SUBMITTED TO THE MEMBER COUNTRIES IN DRAFT
FORM, WOULD BE SIGNED AT THE JUNE MINISTERIAL
CONFERENCE --WHICH INCLUDES THE U.S. FOREIGN

MINISTER, HENRY KISSINGER -- A TIME-TABLE WHICH IS NO LONGER CERTAIN. THE AMERICAN BUSINESS REPRESENTATIVES TO THE OECD, THE BUSINESS AND INDUSTRY ADVISORY COMMITTEE (BIAC) HEADED BY OTIS ELEVATOR CO. CHAIRMAN RALPH A. WELLER, CONCURRED IN MOST OF THE CODE STANDARDS - E.G., FOREIGN TAXATION, ESTABLISHMENT OF TRANSFER PRICES, EMPLOYEE RELATIONS, TRANSFER OF TECHNOLOGY. THE AMERICANS ARE ALSO INTENSIVELY COOPERATING IN TWO OTHER CODIFICATION EFFORTS OF THE OECD: AN INTERNATIONAL FOREIGN INVESTMENT PROTECTION AGREE-
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MENT, AS WELL AS AN INTERNATIONAL AGREEMENT FOR EQUAL TREATMENT OF FOREIGN FIRMS (NON-DISCRIMINATION).

ONE REALIZES IN WASHINGTON THAT, FOLLOWING THE RECENT BRIBERY SCANDALS, AN AMERICAN TORPEDOING OF THE OECD CODE WILL NOT BE RECEIVED WELL IN OTHER OECD COUNTRIES. ON THE OTHER HAND, THE FORD ADMINISTRATION DOES NOT FEEL ITSELF IN A POSITION TO IGNORE THE RESERVATIONS MADE BY U.S. INDUSTRY. THE OECD CODE OF BEHAVIOR, CAUTIONS BIAC CHIEF WELLER, 'WOULD REQUIRE MULTIS TO PREPARE NEW BUSINESS REPORTS UNDER 55 DIFFERENT BOOKKEEPING METHODS'. THE CODE PROVISION FOR SUMMONING MNC REPRESENTATIVES ON A REGULAR BASIS TO ANSWER QUESTIONS IN PARIS LOOKS, ON THE OTHER SIDE OF THE ATLANTIC, LIKE AN ENDLESS PROCESS OF SUPERVISION AND INVESTIGATION. JOHN LANGE, THE RESPONSIBLE DIVISION CHIEF IN THE U.S. TREASURY, SAID: 'BASICALLY, THIS (THE OECD CODE) IS A PUBLIC RELATIONS DOCUMENT'. IN THIS CASE, THE 'VOLUNTARY PRINCIPLE' DEMANDED BY THE U.S. MULTIS WOULD INDEED BE ASSURED." END UNCLASSIFIED.
HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, POLICIES, MEETING AGENDA, REPORTS, NEGOTIATIONS, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BONN06094
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760135-0335
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760480/aaaacpuf.tel
Line Count: 210
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 85413
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2004 by BoyleJA>; APPROVED <12 AUG 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MNE GUIDELINE NEGOTIATIONS IN OECD
TAGS: EINV, OECD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006